

# BEZPIECZEŃSTWO SPOŁECZNO-EKONOMICZNE I BEZPIECZEŃSTWO LUDZKIE



Francisco GÓMEZ MARTOS

Faculté Universitaire Saint-Louis, Brussels

DOI : 10.14746/ps.2017.1.18

## CHINA'S "ONE BELT, ONE ROAD" INITIATIVE: PROSPECTS AND CHALLENGES<sup>1</sup>

One of the most important lessons that European Union shows us is that from the very beginning of the European integration process, in the sixties and seventies of the last century, transport policy played a key role in creating the common and shared agreed rules of the internal market and in bringing closer European countries and citizens.

This policy contributed not only to reducing the "economic gap" facilitating the implementation of the four freedoms of movement, but also promoting people-to-people contacts and finally the process of reconciliation in Europe. With the ambitious *One Belt, One Road* Initiative (OBOR), China would like to fully project its power ideology and political influence in Asia. After an enormous redistribution of economic power among the world's main powers in the last twenty five years (Menon, 2015: 3), in late 2013 President Xi Jinping announced a grand Chinese development strategy, the *One Belt, One Road Initiative* to be pursued in the coming three or four decades.

The purpose of the present article is to analyze some of the more ambiguous tools of this new ambitious Strategic Concept of Beijing's Foreign Policy. Besides, it will address some other political, operational and technical issues to be solved to meet the high expectations created by this Chinese Initiative involving 65 countries in three continents in varying degrees. Obviously the perception and challenges involved are distinct for each country and stakeholder.

This study will focus on the political, economic and trade objectives of this Initiative which also define the main features of today Chinese geopolitical strategy. As to requirements for the successful achievement of the OBOR Initiative, it will be subject of a separate publication.

### THE EU POSITION

Since the launching of OBOR Initiative, the European Union Institutions have been rather cautious. Actually, the European Union and its Member States have not yet adopted a common position on this ambitious and ambiguous Chinese initiative.

On 22<sup>n</sup> June 2016, the European Commission and the High representative of the Union for foreign Affairs and Security Policy published a joint communication proposing new elements for updating EU strategy on China. On the Chinese OBOR Initiative the Joint Communication underlines that "Co-operation with on its 'One Belt, One

<sup>1</sup> This article expresses personal views of the author. It is a part of wider analysis elaborated during Fellowship offered by the Taiwanese Ministry of Foreign Affairs to academic visiting scholars.

Road' initiative should be dependent China fulfilling of its declared aim of making it an open platform which adheres to **market rules and international norms** in order to deliver benefits for all and to encourage responsible economic behavior in third countries" (European Commission, 2016: 10).

In the context of ongoing negotiations on an ambitious EU-China Investment Agreement, the European Commission seems ready to create synergies between the OBOR Initiative and the EU Investment Plans, notably the Strategic Investment Fund. In this regard, an agreement was signed in September 2015 to launch a Connectivity Platform promoting links with the EU maritime and road transport network plans and to identify possible synergies between the *Infrastructure Strategic Fund* (the so-called *Juncker Plan*) and the financial instruments of the OBOR Initiative (the new Chinese-led *Asian Infrastructure Investment Bank* and the *Silk Road Fund*). A working group European Commission-China has been set up to define the concrete modalities of Chinese participation in the *Juncker Plan*. In any event, it is important that China adapts to all the European rules concerning Trans-European Transport Network policy.

Actually there are still many open questions regarding the OBOR Initiative and not only for the EU institutions. In a biannual Conference organized by the Taiwanese think-tank *Institute for International Relations* of Chegchi University in December 2015, most of the scholars underlined the high degree of uncertainty concerning key issue related with the content, functioning and implementation of the Initiative. For instance, the main document entitles *Vision and Actions on jointly Building Silk Road Economic Belt and 21<sup>st</sup>-Century Maritime Road* (Ministry of Commerce of the People's Republic of China, 2015) avoids dealing with the institutional governance of the Initiative, the decision-making process and the functioning of its instruments. This uncertainty could explain the cautiousness and slow path of the ongoing negotiations with the European Commission on concrete modalities of cooperation on concrete investment projects.

Conversely, following an active and effective public diplomacy of Beijing authorities, 16 Eastern European Countries (the so-called "16+1" format) have met several times at high ranking official level showing their willingness and strong interest to participate in this initiative through cargo train connections and cargo fast lanes between Europe and China (Suokas, 2015).

### THE CONTENT OF THE INITIATIVE: GEOPOLITICAL, ECONOMIC AND TRADE OBJECTIVES

After describing the initial reaction of the European Union to the launching of the Chinese OBOR Initiative, it could be appropriate to analyze its likely aims and to test the real intentions of the leadership of the People's Republic of China. Is China looking for a new "Common Destiny" with its neighboring countries or a fight for Asian and world hegemony?

Is the OBOR Initiative a common *win-win* endeavor of 65 countries in order to give a new impetus and reinvigorate the current stagnant phase of globalization, or is it a Beijing domestic policy to fight to avoid the development trap?

It seems evident that the final objective of Chinese authorities in launching the OBOR Strategy is to see China become in two or three decades the world's strongest economic superpower. Even though this statement is always carefully avoided by the Chinese leadership and officials, the exhaustive analyses of what we could call the "geography of the OBOR Strategy" shows the consistency of this hidden ambitious national objective.

Currently, besides some priority Asian and European road and railway corridors to bypass potential maritime blockades (i.e. Malacca Strait) or increasing the cost competitiveness of Chinese products, the network of civil and military harbor facilities under construction overseas already includes the five continents (Asia, Oceania, Africa, Europe and America) and all the oceans currently transitable in order to extend its maritime trade flows and geopolitical influence. During the current decade, coinciding with the political mandate of President Xi Jinping, the main purpose of the current Chinese leadership is to focus on the previous intermediate objectives and, according to my findings, these intermediate objectives of OBOR Strategy are six fold.

#### **A) The Projection of power ideology and new military ambitions in Asia**

This objective is the most important at international level and follows the huge shift in the redistribution of economic power amongst the world's powerful countries in the last decades. Beijing wants to show openly its *power ideology* in Asia. In other words, mainland China would like to fully project in Asia its ideology, image and political influence.

Furthermore, China has new military ambitions: to protect its maritime space by forcing out the United States, and projecting its naval power in other oceans, returning to the ocean after Zhen He's voyages during the Ming dynasty. The China's foreign and security policies have become more assertive and will probably never give up its core interest, especially in the South and East Chinese Seas (Friedberg, 2016).

As analyzed below, this new assertiveness is not without contradictions and has been noted by European sources (European Parliament, 2013). If recent tensions escalate; the maritime territorial disputes have the potential to undermine peace and prosperity in the region and finally the successful outcome of the whole OBOR Initiative. In this context it is useful to remember that the European Union is not taking sides on territorial disputes but has a strong interest in preserving freedom of navigation on some of the world's busiest sea lanes and obviously in peaceful and stable maritime regions.

#### **B) Countering overdependence and influence of other regional actors: Russian and Indian rivalries**

In geopolitical terms, the OBOR Strategy is also defined to counter the Russian influence in Central and Western Asia. With the Initiative, Beijing is seeking to limit overdependence on Russia energy and trades routes to Europe.

It goes without saying that OBOR will certainly increase political, economic and trade rivalry with the Eurasian Economic Community President Putin-led Initiative. At this stage it is unclear how Beijing will bypass the political and technical obstacles to connect Asia and Europe through the central Asian land bridge. However President Xi Jiping is developing a very active diplomacy to seduce the public opinion of these strategic countries<sup>2</sup> (Yu-Wen Chen, 2015).

Once again the OBOR Initiative raises another paradox: Russia is China's predominant supplier of arms, a trend that will continue as long as Beijing continues to need help in modernizing its armed forces and upgrading its domestic industrial military capabilities (Oxford Analytica, 2015).

### **C) Competing for Economic and Trade hegemony in Asia: OBOR Mega trade block as an alternative and competitor to the Trans-Pacific Partnership Mega deal?**

There is no doubt that through the OBOR Initiative, Beijing is trying to establish an alternative Mega trade block to act as a competitor to the TTP lead by USA. If the Trans-Pacific Partnership Agreement was designed to isolate China-USA and Japanese politicians advocate that Beijing is not ready to apply and respect common rules on competition, transparency, e-commerce, Intellectual Property Rights, public procurement and labor standards – then Beijing argues that its Mega-trade proposal is inclusive and thus open to all economic and trading partners, independent of their degree of development.

Actually one relevant question in this context is how to ensure coherence and compatibility between the TTP Agreement and the RCEP (*Regional Comprehensive Economic Partnership*) – the Free trade agreement in negotiation between the ten member States of ASEAN and the six States with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea and New Zealand) and due to be concluded at the final of 2016.

How to avoid overlapping and contradictory trade rules for the countries participating in both Mega trade deals? Could it be possible to create a harmonized set of rules of origin amongst TTP and RCEP Members? These are crucial issues to be dealt with in the near future.

Another relevant and complex question is how to harmonize the future RCEP Agreement with the Russian-led Eurasian Economic Union (with some of its member States who have not yet joined the World Trade Organization) in the framework of the implementation of the OBOR Initiative with Central Asian countries' partners. The EU has already refused to negotiate with the EEU pointing out this inconsistency).

A key question for our world trade common rules system is: could it be possible to multilateralise the achievements of these big regional Mega trade deals?

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<sup>2</sup> Recent academic pilot tests show apposite attitude in Kazakhstan about the rise and influence of China.

### **D) Domestic Priority objective: Economic development and political stability of PRC's Western Regions**

One objective of paramount importance for the Chinese leadership is of domestic nature: to develop and thereby stabilize China's western regions by integrating them into international trade routes and by developing Central Asian markets for Chinese goods.

Actually, the launching of the OBOR Initiative coincides with huge overcapacities in some basic industrial sectors (cement, steel, shipping, rolling stock, solar panels...) and the impressive amount of foreign exchange reserves (more than 2,5 trillion dollars)<sup>3</sup> (EU Chamber of Commerce in China, 2016).

As China's macroeconomic performance has been slowing down in the last two years from three decades of double-digit growth, the launching of the OBOR Initiative is also an intensive and fully-fledged propaganda campaign domestically oriented to improve the image of the top political new leadership in a period of increasing social unrest and environmental consciousness-raising. Thus, serious political marketing in the media-in 2014 saw more than one million articles published in China on the OBOR Initiative – to regain the trust of population in the capacity of its leadership to provide sufficient economic growth, employment and increasing social progress to the whole country and not only the most favored coastland regions. Obviously, this propaganda campaign was presented as a huge consultation to mobilize the population, encourage the debate and get ideas and proposals on how better to implement this new great and ambitious leap forward for China.

Furthermore, the Chinese leadership is very concerned about separatist movements in Xinjiang, as well as the fear that Afghan terrorism and Islamic extremism may cross the border and spread into this region (Ming-yen Tsai, 2014).

By proposing to reinforce cooperation in combating the *three evil forces*: separatism, extremism, and terrorism – through the multilateral role played by the multilateral platform of the Conference on Interaction and Confidence Measures in Asia (CICA), China is looking to ensure political and social stability in the PRC's Western Regions and protect the implementation of *One Belt, One Road* investments projects from being threatened from potential terrorist attacks.

Both aspects, economic regional development and the political stability of the Western regions and Greater China are intrinsically linked, and are defining features of the OBOR Strategic Concept.

- a) Solve overcapacity in basic industrial sectors  
and mobilize foreign exchanges reserves

For many business stakeholders and scholars in Taiwan, the mainland China Initiative is seen as an opportunity to export overcapacities abroad and to mobilize its foreign exchange reserves by investing abroad and offer loans to developing countries, which would then contract Chinese firms for major infrastructure and construction projects,

<sup>3</sup> It concludes that the Chinese central government efforts to address the problem since 2009 have been ineffectual).

especially to secure access to new sources of energy (the permanent obsession of the Chinese leadership) as well as raw materials and foodstuff. It would also facilitate Chinese goods entering new markets (i.e. the faraonic and problematic new Nicaragua canal between the Atlantic and Pacific). China still lacks access to export markets which explains the dynamism and urgency for extending its network of FTA's and Preferential Agreements with its neighboring Asian countries.

b) The AIIB: a new financial diplomacy tool? Towards an institutional renewal of the international financial order?

By creating a new development bank (the Asian Infrastructure Investment bank-AIIB), Beijing is not only upgrading its international financial status, but also avoiding over-dependence on existing international financial institutions.

The positive response to the Chinese initiative (60 states have already accepted to join) in particular the participation of the biggest European Union economies, this could certainly be considered an important diplomatic success for China despite the strong opposition and lobbying by the USA.

Its remains to be seen if this new financial institution can work efficiently keeping the highest international standards for investments, and increasing competition with other international banks (World Bank, The Asian Development Bank, the BRIC's Development Bank). Up to now, its establishment has contributed to an increased rivalry and provision of national funds for financing infrastructure projects by other main countries in Asia such as Japan and South Korea. The USA scholars fear that this new bank could "facilitate the emergence of a more fragmented global finance governance and a concomitant increasing number of veto players are likely to make global consensus harder to reach" (Injoo Sohn, 2015).

Anyway, as clearly demonstrated by a thorough analysis of the rules and composition of the new Chinese-led development bank by Mr Ian Tsung-yen Chen (Ian Tsung-yen Chen, 2012), Beijing's objective is not to start an institutional renewal of the international financial order with new and revolutionary institutional and operational rules in bank decision making, but rather to consolidate their leading position in the banking sector. With 26.06% of voting share within AIIB, China has a veto power (25% is veto threshold) on all financial decisions to be adopted. Conversely, the EU Member States which negotiated separately and quickly their accession to the bank (Germany, France, Italy, United Kingdom, Spain, Poland, the Netherlands, Sweden, Austria, Denmark, Finland, Portugal, Luxembourg and Malta) have got a poor political quota, far away from their whole GDP ratio and its political power in current International Financial Institutions such as the World Bank. For instance, the United Kingdom got a voting share of 2.91% (in comparison with 3.95% in the World Bank) representing 6.60% of the GDP of all members of AIIB. One could conclude that China succeeded in transferring its current underrepresentation problem in the World Bank and Asian Development Bank to the European Union Member States which decided to join separately the AIIB, thus weakening their common negotiation power.

It is also premature to assess the degree of conditionality and financial standards applied by Beijing's controlled investment bank. In other words, it seems that the



main objective of China's offensive to reshape the global financial order, in particular in Asia, by establishing the AIIB as a genuine Asian financial instrument to provide regional public goods, is to replace the American leadership by the Chinese leadership. By doing that China is defending and thus consolidating conservative behavior in the international financial order.

### **E) China, a middle income country, as an aid donor to its Asian low-income neighboring countries**

China, as a major emerging economy, but still with a *middle income economy* status, will help its Asian "low-income" neighboring countries, and through this aid it will increase therefore not only its political leverage and *power ideology* but also its trade and economic competitiveness.

By bringing in its own "economic hinterland" or sphere of influence in Central Asia and South East Asia, Beijing will delocalize the uncompetitive industrial sector or tasks in the global chain of added value. Building infrastructures and delocalizing some mature industrial sectors in low-wages neighbouring countries could certainly improve the overall competitiveness and interdependence of Asian regions following a *center-periphery* scheme and reinforcing the Chinese leadership.

However, the viability of this strategy is not shared by other main actors in Asia. Firstly, the Chinese political and economic perception of South East Asia as its own backyard, supported by a large and influential Chinese Diaspora, could easily increase nationalist feelings in some countries as we have seen last years in Vietnam, Myanmar and Thailand. Secondly, potential obstacles also include the "acceptance" of this political and economic Chinese domination by Russia and India and even the European Union, very eager to see ASEAN playing an increasing economic and political role in South East Asia. From the economic angle, other small but much more innovative and technologically developed economies as Taiwan are very interested in increasing their presence in the region, showing an attractive development model combining political and economic modernity.

On 12 July 2016 the Permanent Court of Arbitration constituted under annex VII of the United Nations Convention on the law of the sea (UNCLOS) has issued an Award of decisive relevance for giving a peaceful legal and cooperative solution to the South China Sea conflict (PCA, 2016) (if China decides in the future to embrace the international legality) and it could be decisive for the feasibility of this concrete OBOR objective.

Actually, the ruling represents a strong defeat to the controversial Chinese claims on the South China Sea through the combination of three main decisions. First, the Tribunal concludes that China's claims to historic rights or other sovereign rights or jurisdiction, with respect to the maritime areas of the South China Sea encompassed by the relevant part of the "nine-dash line" are contrary to the Convention and without lawful effect. Second, the Tribunal has also ruled that none of the features in the Spratly chain are legally "islands" under Article 121(3) of the UNCLOS (because none of them are capable of sustaining human habitation or an economic life of their own)

and accordingly do not generate entitlements to an exclusive economic zone or continental shelf. Third, none of the Court's decisions in the Award imply a view with respect to questions of land sovereignty because of the Convention does not address the sovereignty of States over land territory. However, the Court has found that China's land reclamation and construction of artificial islands, installation, and structures has caused severe, irreparable harm to the coral reef ecosystem.

Obviously, China has rejected the ruling asserting that it had "indisputable sovereignty over South China Sea islands, including Scarborough Shoal" and arguing that the Permanent Court of Arbitration lacks authority to decide the matter because the Philippines's claims concern issues of sovereignty which are beyond the scope of UNCLOS.

Although the Award is binding for the parties, the Convention has not clear mechanisms to ensure its implementation. Therefore, the Award is unlikely to resolve the conflict. Nevertheless, this Award could have far-reaching implications for the geopolitics in the region and may put at stake the successful implementation of the Chinese *Silk Maritime Road Initiative*; one of the two key branches of OBOR Strategy.

Furthermore, even if China will not comply with the ruling, this Award will establish a legal benchmarking in the region and create greater legal certainty in the future negotiations. It will also reduce the current asymmetry between China and the other claimant countries reinforcing the possibility to negotiate a balanced and effective Code of Conduct.

If China persists in its aggressive behavior in the region and continue to "buy" the political support of the allies for its claims in exchange of financial aid, it will eventually undermine both, its international reputation as a responsible partner and, even worse, the trust of the international community in the UNCLOS which is one of key legal instruments for solving conflicts peacefully.

It is worth mentioning that both big powers, Russia and India, have their own regional geopolitical and trade Initiatives (the Eurasian Economic Union and the *Cotton Route* respectively), which enhances the skepticism and rivalry towards China's OBOR Initiative.

Most Chinese politicians and scholars used to argue that the idea that the OBOR Initiative should be considered as "the Chinese Marshall Plan" to its Asian low-income neighbors countries aimed at creating a new "Common Destiny"<sup>4</sup> (Jin Ling, 2015).

In my view, this analogy ignores the historical circumstances, the content and the methodology used in the implementation of Europe's *Marshall Plan* during the period 1947–1957. The European economies were devastated by WWII, they lacked completely in international liquidity (dollars) to import foodstuffs and consumer goods, and the credits provided by the USA to buy American goods were reinvested in the European economies through the so-called *Counterpart Funds*. Furthermore, the Plan implies the establishment of multilateral organizations such as the Organization of European Economic Cooperation (OEEC) and the European Payment Union (EPU) to facilitate the financing of the intra-European trade. The political aims were to avoid the collapse of Western European nations, and prevent them falling into the Communist

<sup>4</sup> Xu Shanda, a noted economist, who first enounced the implementation of the "Chinese Marshall Plan".

Soviet Union sphere of influence. In the most generous aid program in history, the USA made available to foreign countries (Asian countries included) 56 billion dollars (36,2 billion to Western European countries) during the period 1945–1957; equivalent to one fifth of the USA National Income of 1950 (Cloug, 1970: 523).

None of these features are likely to be present in the Chinese OBOR Initiative. It seems much more appropriate to believe that the real intention of this ambitious wrongly so-called *Chinese Marshall Plan* is firstly, to create *external demand* to find “outlets for China’s excess production capacity” (Zhou, Hallding, Han, 2015: 1) and secondly, to reduce the economic gap between China and developed countries, thus becoming a *high-income economy*; it also seeks to avoid the risk of falling into the development trap, which would see China, after impressive growth for 30 years, unable to break through its current *middle-income* status to become *advanced-economy* status, spending decades “trapped” at a certain per capita income.

The problem of overcapacity shows clearly the inefficiencies and vulnerabilities of Chinese “State Capitalism” devaluating the self-proclaimed superiority of “Democratic Centralism” during the last decade (Yang Guangbin, 2015). Although this model of “socialist market economy” *à la chinoise* was efficient during the last three decades of *take off* in mobilizing inputs and achieving an impressive average economic growth rate, it is unclear if the same model without decentralization and de-politicization of the enterprises’ key economic decisions could be also efficient in facing a new stage in the development path – characterized by a much a more complex economic structure and society, alongside growing competition domestically and in international markets.

The still significant degree of State intervention at different governmental levels not only prevents the Chinese economy from being granted the Market Economy Status (MES), distorting competition at international level, but also impedes the efficient allocation of resources giving priority to all Chinese public enterprises at all levels of governance (state, provincial and local), and lastly, choosing the technologies and niches to pursue. The Chinese leadership is holding back the development of a competitive market economy with its business environment – a competitive sector of small and medium side companies much more flexible and open to innovation, high-technologies and well adapted to the changes of global demand and thus accustomed to taking the right decisions following the market signals.<sup>5</sup>

Most of the potential infrastructure investment projects in the framework of OBOR will be done through state-owned enterprises, and as experience shows us that “80% of China’s mining ventures overseas had failed having enjoyed state financial support and having had little incentive to carefully assess cost, benefits and risks” (Zhou, Hallding, Han, 2015: 4). This explains the objective of Chinese leadership to internationalize the OBOR Initiative, sharing with foreign partners the financial risks of investment projects.

Could the OBOR Initiative solve the current problems, imbalances and contradictions of the Chinese economic model?

Some scholars such as Francis Fukuyama consider that the Chinese Initiative is the right decision for the Chinese growth model and represents a serious challenge for

<sup>5</sup> In the EU 80% of exporting companies, around 600.000, are SMEs.

America's hegemony and economic model (with a high deficit of public infrastructure capital) and the European Union economy (in need of more public and private investments to complete the infrastructure networks for the efficient functioning of the energy, transport and telecommunication internal markets) and "if the OBOR Initiative meets the Chinese expectations, the whole of Eurasia, from Indonesia to Poland would be transformed in the coming generation" (Fukuyama, 2016: 8).

Along the same line, other scholars such as Erik Berglof (2016) consider that China has a very good chance of succeeding in the transition to high-income status with similar vigor to that the last three decades. In spite of the myriad of short-term challenges to address (the Chinese economy is caught in a deflationary spiral, with falling prices and increased anxiety over its future prospects reinforcing each other, massive excess capacity and mounting bad debt in the state-owned corporate sector) China has an impressive capacity to transform.

Others are more skeptical and suggest that the *new Chinese Keynesianism* will not be enough to solve its new structural problems and that the OBOR Initiative risks exacerbating China's economic imbalances (Yanfei Li, 2016).

In my view the Chinese development model is at a crossroads. The model has reached the mature stage in the lifecycle of most of its basic and manufacturing sectors. With an ageing population and rising salaries, the country needs to boost its productivity by improving technological content and capacity to innovate. It would allow to change the current profile of industrial and services model in order to advance in the Global value chain. This change requires a radical improvement in the allocation of resources, giving a decisive role to the market and reducing significantly State intervention in the economy. Otherwise, the phantom of the *development trap* could haunt the Chinese economy for decades, with or without the OBOR Initiative such as defined today. It goes without say that a successful outcome of this Strategy has the potential to dispel the specter.

#### **F) The creation of an Asian Financial Market with the Renminbi as its reference currency in order to internationalize the Chinese economy and spread the risks of their investments**

The achievement of a genuine "Renminbi financial and monetary area" is one of the most ambitious objectives of OBOR Initiative. The new Chinese leadership entertains the idea of establishing a *de facto* Asian monetary zone and upgrading thus the status of the Renminbi as one of the three international currencies as the Dollar and the Euro. Having their own currency as the key Asian currency is a symbol of power that Japan has never been able to make a reality with the yen.

The recent inclusion of Renminbi (RMB) in the IMF's (2016) Special Drawing Right Basket (with a higher weight than the yen), the launching of OBOR and its main financial instrument (AIIB), the BRICS New Development Bank, the substantial participation in the multilateral foreign exchange reserves pool known as the *Chiang Mai Initiative* are all steps contributing to the internationalization process of the Chinese currency.

This aims implicitly formulated in the OBOR main document (National Development and Reform Commission, People's Republic of China, 2015) suggests other "governments of the countries along the Belt and Road and their companies and financial institutions with good credit-rating to issue renminbi bonds in China" and "qualified Chinese financial institutions and companies are encouraged to issue bonds in renminbi and foreign currencies outside China, and use the funds thus collected in countries along the Belt and Road" (*Vision and Actions*, 2015: 8).

Bilateral and multilateral financial cooperation between the participating countries, as well as market integration, are not only important for implementing the OBOR Initiative but above all are ways to share and spread the risks of the investments.

The Chinese endeavor had its first success in October 2014. The UK was indeed the first Western economy to issue a sovereign RMB bond outside China in the London financial market outlining the RMB's potential as a future reserve currency (UK Government, 2014).

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China is not prepared to give up its aspiration to be the dominant power in Asia at any cost; even though it could further damage its international image which is currently far from being a credible, predictable and responsible partner respecting international norms. Their decisions are always influenced by internal advantages ensuring political stability which for the Chinese Communist Party is of paramount importance.

Aggressive China policy – or rather "assertive" as American academia prefers to use – forms part of its long term geopolitical strategy. This explains for instance Chinese behavior in the South China Sea conflict. In this line, the final objective of Chinese authorities in launching the OBOR Strategy is to see China become in two or three decades the first world economic superpower.

The recent Award of the Permanent Arbitration Court on the South China Sea conflict could be decisive for the feasibility of the Silk Road Maritime dimension of the OBOR Initiative. The South China Sea conflict on Spratlys, Paracel and Scarborough Islands sovereignty is a test case for the international credibility of China. If the conflict escalates and China pursues its harsh and arrogant policy, it will eventually undermine both, its international reputation as a responsible partner and, even worse, the trust of the international community in the UNCLOS which is one of key legal instruments for solving conflicts peacefully.

Russia and India represent, in Chinese perception, the real threats to its national interest and security. Therefore, China sees them with great suspicion while the European Union is the perfect partner is an important alien being far away, a strong trade and technological partner and a rather weak global actor.

Pragmatism with a great deal of hypocrisy and not *moralist behavior* as some American scholars define Chinese foreign policy (principle of non-intervention in internal affairs, e.g. in Syria civil war) is an essential part of China's diplomacy which has proved to be very efficient worldwide.

The OBOR main document (*vision and action*) privileges bilateral to multilateral negotiations, and consultations with the potential countries concerned by the Initiative

are being established between governments without any opening to public consultations as the EU does.

Communist Chinese economic success is not limited by most of the key international rules regarding environment, social protection, respect of intellectual property rights or transparent public markets. Regardless of official statements, China is likely to pursue its trade and geopolitical objectives without caring for multilateral international rules. The international community should be well aware of the permanent and alarming lack of transparency in the economic activities of Chinese firms – in the context of current and future negotiations. If this behavior is not countered, we may witness the disappearance of some economic sectors such as for example Egyptian textiles or the European solar panel industry.

China's way to the Market Economic Status shows the limits and contradictions of the Chinese oxymoron model of a "socialist market economy" at world level. The importance of the current overcapacity in the most of basic industrial sectors highlights both the programming errors made by the past Chinese leadership but also their negative impact on world markets and the economy and social stability of third states.

Regarding ASEAN countries, China does not have much to fear from them as they are relatively weak militarily and dependent on Chinese economic and trade influence. The only country which has some potential power to confront Chinese politics is Indonesia, also because of its preferential ties with Japan which gives it some more strength.

The European Union has underestimated the geopolitical and economic consequences of the Chinese OBOR Initiative on its neighboring regions (in particular in the Balkans and Eastern partnership regions). This initiative could also jeopardize the economic and political cohesion of the EU. The European Union and its Member States have not yet adopted a common position on this ambitious and ambiguous Chinese project. China has exploited the current weaknesses of EU cohesion to launch an intensive diplomatic campaign at bilateral level, the so-called "16+1 format" which could jeopardize the internal cohesion between Member States and the necessary coordination with EU Institutions in preserving the unicity of the EU transport and infrastructure network policies.

When implementing the OBOR Initiative, China should change its current behavior in terms of cooperation and integration processes and could learn from the methodology and *modus operandi* of the European Union cooperation and neighborhood policies. Consultation and true partnership with third less developed and less powerful countries should replace the top-down approach and imposing decisions.

The OBOR Initiative has a complex trade dimension. It is the alternative and competitive to mega-trade deals China wants to implement to counter the TPP Agreement. One relevant question in this context is how to ensure coherence and compatibility between the TTP Agreement and RCEP (Regional Comprehensive Economic Partnership) – the Free trade agreement in negotiation between the ten member States of ASEAN and the six States with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea and New Zealand) and due to be concluded at the end of 2016.

Another relevant and complex question is how to harmonize the future RCEP Agreement with the Russian-led Eurasian Economic Union in the framework of the



implementation of the OBOR Initiative to Central Asian partner countries. Finally, one question of paramount significance for the world trade common rules system remains to be seen: will it be possible to multilateralise the achievements of these big regional Mega trade deals.

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## ABSTRACT

The launching of "One Belt, One Road" (OBOR) Initiative by president Xi Jinping is an essential instrument of the Strategy aiming to maintain the internal control and political stability and dynamises an ailing Chinese economy. The concept of OBOR is ambitious but ambiguous, perfectly in line with traditional Chinese pattern: "Hide our capabilities and bide our time." In this context, a question is posed: Is China ready to abide by international law and be a reliable political and trade partner? The author analyzes the prospects and challenges of the Chinese Strategy and try to identify what are the real objectives of this project which may bring potential benefits but also important risks for its Asian neighbors and the international community at large.

**Keywords:** One Belt, One Road Initiative, Silk Maritime Road, Asian Infrastructure Investment Bank, Eurasian Economic Community, Transpacific Partnership Agreement, Regional Comprehensive Economic Partnership, Mega trade blocks, European Union and China relations, Chinese Marshall Plan

## CHIŃSKA INICJATYWA JEDNEGO PASA I JEDNEJ DROGI – WYZWANIA I PERSPEKTYWY

### STRESZCZENIE

Inicjatywa „Jeden pas i jedna droga” (*One Belt One Road* – OBOR) Prezydenta Xi Jinping jest istotnym instrumentem strategii mającej na celu utrzymanie kontroli wewnętrznej i stabilności politycznej oraz zdynamizować schorżałą chińską gospodarkę. Koncepcja OBOR jest ambitna, ale niejednoznaczna, zgodna z tradycyjną chińską zasadą „Ukryj nasze możliwości i daj nam czas”. W tym kontekście pojawia się pytanie czy ChRL jest gotowa na przestrzeganie prawa międzynarodowego i na bycie przewidywalnym i odpowiedzialnym partnerem politycznym i handlowym? Autor analizuje perspektywy i wyzwania chińskiej strategii i stara się dociec jakie są rzeczywiste cele tego projektu, który może przynieść potencjalne korzyści, ale także stanowić poważne zagrożenie dla jej azjatyckich sąsiadów i całej społeczności międzynarodowej.

**Słowa kluczowe:** inicjatywa „Jeden pas i jedna droga”, Morski Szlak Jedwabny, Azjatycki Bank Inwestycji Infrastrukturalnych, Euroazjatycka Wspólnota Gospodarcza, Partnerstwo Transpacyficzne, Regionalne Kompleksowe Partnerstwo Gospodarcze, Mega bloki handlowe, relacje Unia Europejska-Chiny, chiński plan Marshalla